

ORIGINAL

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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UNITED STATES OF AMERICA

INDICTMENT

- v. -

13 Cr.

YUDONG ZHU,
YE LI,
a/k/a "Eric Li,"

13 CRIM 761

Defendants.

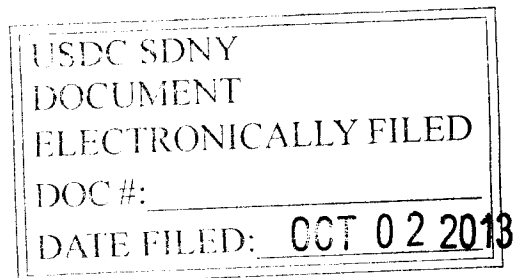
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COUNT ONE

(Conspiracy to Commit Honest Services Fraud)

The Grand Jury charges:

1. From at least in or about 2011, up to and including in or about May 2013, in the Southern District of New York and elsewhere, YUDONG ZHU and YE LI, a/k/a "Eric Li," the defendants, while employed at a certain U.S. university based in Manhattan (the "University"), and others known and unknown, willfully and knowingly combined, conspired, confederated, and agreed together and with each other to violate Title 18, United States Code, Sections 1341, 1343 and 1346, to wit, ZHU and LI conspired to receive bribes from a Chinese medical imaging company (the "Chinese Company") in exchange for ZHU and LI acquiring and transferring from the University to the Chinese Company certain research and non-public information related to magnetic resonance imaging ("MRI") technology.



2. It was a part and an object of the conspiracy that YUDONG ZHU and YE LI, a/k/a "Eric Li," the defendants, and others known and unknown, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud to deprive the University of the intangible right to their honest services, for the purpose of executing such scheme and artifice, would and did deposit and caused to be deposited items to be sent and delivered by private and commercial interstate carrier, and would and did take and receive such items therefrom, in violation of Title 18, United States Code, Sections 1341 and 1346.

3. It was further a part and an object of the conspiracy that YUDONG ZHU and YE LI, a/k/a "Eric Li," the defendants, and others known and unknown, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud to deprive the University of the intangible right to their honest services, would and did transmit and cause to be transmitted by means of wire communication in interstate and foreign commerce, writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice in violation of Title 18, United States Code, Sections 1343 and 1346.

OVERT ACTS

4. In furtherance of the conspiracy and to effect the illegal objects thereof, YUDONG ZHU and YE LI, a/k/a "Eric Li,"

the defendants, committed the following overt acts, among others, in the Southern District of New York and elsewhere:

a. In or about December 2011, without the knowledge of the University, ZHU signed an agreement with the Chinese Company related to a patent ZHU held (the "ZHU Patent") that included the design for the "Constellation Coil," an advance in MRI technology that ZHU had further developed at the University using federal grant funds awarded to the University by the National Institutes of Health (the "NIH Grant"). Under the terms of the agreement, ZHU granted the Chinese Company, among other things, (i) the exclusive license to use the ZHU Patent, (ii) the exclusive right to make, sell, or otherwise transfer any products covered by the ZHU patent, and (iii) all of ZHU's rights, ownership, and interest in the technology underlying the ZHU Patent, in exchange for a series of royalty payments worth approximately \$2 million, stock options valued at approximately \$23 million, and high-level employment positions at the Chinese Company to be assumed within four years after the signing of the agreement.

b. In or about January 2012, ZHU sent an e-mail to a co-conspirator not named herein ("CC-1"), who was employed as Chief Executive Officer of the Chinese Company's research and development center for advanced medical devices, in which he arranged for CC-1 to pay for the University tuition of another

co-conspirator not named herein ("CC-2").

c. In or about October 2012, ZHU, LI, and CC-2 traveled to China to meet with CC-1 and other representatives of the Chinese Company and discussed transferring technology related to the "Constellation Coil" to the Chinese Company so that the Chinese Company could build a functioning MRI scanner that used the "Constellation Coil" design.

d. In or about October 2012, LI purchased various materials, tools, and other equipment necessary for conducting research on the "Constellation Coil," which were delivered via commercial carrier to an apartment in Hartsdale, New York (the "Hartsdale Apartment").

e. In or about December 2012, ZHU, LI, and CC-2 conducted research on the "Constellation Coil" at the Hartsdale Apartment, without the University's knowledge, and shared the results of that research with the Chinese Company.

f. In or about December 2012, ZHU signed a conflict of interest disclosure form in connection with the NIH Grant in which he falsely stated, among other things, that he did not have any intellectual property rights that related to the research being funded by the NIH Grant.

g. In or about February 2013, ZHU received an initial payment from the Chinese Company of approximately \$400,000 that was wired to a bank account in China controlled by ZHU's mother.

(Title 18, United States Code, Section 1349.)

COUNT TWO

**(Conspiracy to Receive Bribes by Agents
of a Federally Funded Organization)**

The Grand Jury further charges:

5. From at least in or about 2011, up to and including in or about May 2013, in the Southern District of New York and elsewhere, YUDONG ZHU and YE LI, a/k/a "Eric Li," the defendants, and others known and unknown, willfully and knowingly combined, conspired, confederated, and agreed together and with each other to violate Title 18, United States Code, Section 666(a)(1)(B).

6. It was a part and an object of the conspiracy that YUDONG ZHU and YE LI, a/k/a "Eric Li," the defendants, being agents of an organization that received, in a one-year period, benefits in excess of \$10,000 under a Federal program involving a grant, contract, subsidy, loan, guarantee, insurance, and other form of Federal assistance, would and did corruptly accept and agree to accept something of value from a person, intending to be influenced in connection with any business, transaction, and series of transactions of such organization involving a thing of

value of \$5,000 or more, to wit, ZHU and LI, while employees of the University, which had applied for and received a multi-million dollar federal research grant from the NIH for ZHU to develop enhanced MRI technology, conspired to accept bribes from the Chinese Company intending to be influenced in connection with certain research at the University.

OVERT ACTS

7. In furtherance of the conspiracy and to effect the illegal object thereof, the overt acts committed in Paragraph 4 of this Indictment, among others, which are fully incorporated by reference herein, were committed in the Southern District of New York and elsewhere.

(Title 18, United States Code, Section 371.)

COUNT THREE

(Commercial Bribery Conspiracy)

The Grand Jury further charges:

8. From at least in or about 2011, up to and including in or about May 2013, in the Southern District of New York and elsewhere, YUDONG ZHU and YE LI, a/k/a "Eric Li," the defendants, and others known and unknown, willfully and knowingly combined, conspired, confederated, and agreed together and with each other to violate Title 18, United States Code, Section 1952(a)(3), to wit, ZHU and LI conspired to receive bribes from the Chinese Company in exchange for ZHU and LI acquiring and

transferring from the University to the Chinese Company certain research and non-public information related to MRI technology.

9. It was a part and an object of the conspiracy that YUDONG ZHU and YE LI, a/k/a "Eric Li," the defendants, would and did travel in interstate commerce and use and cause to be used the mail and facilities in interstate commerce with the intent to promote, manage, establish, carry on, and facilitate the promotion, management, establishment, and carrying on of an unlawful activity, to wit, the receipt of commercial bribes, in violation of New York Penal Law Sections 180.05 and 180.08, and thereafter would and did perform and attempt to perform an act to promote, manage, establish, carry on, and facilitate the promotion, management, establishment, and carrying on of said unlawful activity, in violation of Title 18, United States Code, Section 1952(a)(3).

OVERT ACTS

10. In furtherance of the conspiracy and to effect the illegal object thereof, the overt acts committed in Paragraph 4 of this Indictment, among others, which are fully incorporated by reference herein, were committed in the Southern District of New York and elsewhere.

(Title 18, United States Code, Section 371.)

COUNT FOUR

(Honest Services Fraud)

The Grand Jury further charges:

11. From at least in or about 2011, up to and including in or about May 2013, in the Southern District of New York and elsewhere, YUDONG ZHU and YE LI, a/k/a "Eric Li," the defendants, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud to deprive the University of the intangible right to their honest services, for the purpose of executing such scheme and artifice, deposited and caused to be deposited items to be sent and delivered by private and commercial interstate carrier, and did take and receive such items therefrom, to wit, ZHU and LI received bribes from the Chinese Company in exchange for ZHU and LI acquiring and transferring from the University to the Chinese Company certain research and non-public information related to MRI technology.

(Title 18, United States Code, Sections 1341, 1346, and 2.)

COUNT FIVE

(Honest Services Fraud)

The Grand Jury further charges:

12. From at least in or about 2011, up to and including in or about May 2013, in the Southern District of New York and elsewhere, YUDONG ZHU and YE LI, a/k/a "Eric Li," the defendants, willfully and knowingly, having devised and intending

to devise a scheme and artifice to defraud to deprive the University of the intangible right to their honest services, did transmit and cause to be transmitted by means of wire communication in interstate and foreign commerce, writings, signs, signals, pictures, and sounds, to wit, ZHU and LI received bribes from the Chinese Company in exchange for ZHU and LI acquiring and transferring from the University to the Chinese Company certain research and non-public information related to MRI technology.

(Title 18, United States Code, Sections 1343, 1346, and 2.)

COUNT SIX

**(Receipt of Bribes by an Agent
of a Federally Funded Organization)**

The Grand Jury further charges:

13. From at least in or about 2011, up to and including in or about May 2013, in the Southern District of New York and elsewhere, YUDONG ZHU and YE LI, a/k/a "Eric Li," the defendants, being agents of an organization that received, in a one-year period, benefits in excess of \$10,000 under a Federal program involving a grant, contract, subsidy, loan, guarantee, insurance, and other form of Federal assistance, did corruptly accept and agree to accept something of value from a person, intending to be influenced in connection with any business, transaction, and series of transactions of such organization involving a thing of value of \$5,000 or more, to wit, ZHU and LI,

while employees of the University, which had applied for and received a multi-million dollar federal research grant from the NIH for ZHU to develop enhanced MRI technology, accepted bribes from the Chinese Company intending to be influenced in connection with certain research at the University.

(Title 18, United States Code, Sections 666(a)(1)(B) and 2.)

COUNT SEVEN

(Commercial Bribery)

The Grand Jury further charges:

14. From at least in or about 2011, up to and including in or about May 2013, in the Southern District of New York and elsewhere, YUDONG ZHU and YE LI, a/k/a "Eric Li," the defendants, willfully and knowingly traveled in interstate commerce and used and caused to be used the mail and facilities in interstate commerce with the intent to promote, manage, establish, carry on, and facilitate the promotion, management, establishment, and carrying on of an unlawful activity, to wit, the receipt of commercial bribes, in violation of New York Penal Law Sections 180.05 and 180.08, and thereafter did perform and attempt to perform an act to promote, manage, establish, carry on, and facilitate the promotion, management, establishment, and carrying on of said unlawful activity, to wit, ZHU and LI received bribes from the Chinese Company in exchange for ZHU and LI acquiring and transferring from the University to the Chinese

Company certain research and non-public information related to MRI technology.

(Title 18, United States Code, Sections 1952(a)(3) and 2.)

COUNT EIGHT

(Falsification of Records)

The Grand Jury further charges:

15. From at least in or about February 2010, up to and including in or about May 2013, in the Southern District of New York and elsewhere, YUDONG ZHU, the defendant, knowingly altered, destroyed, mutilated, concealed, covered up, falsified and made false entries in records, documents, and tangible objects with the intent to impede, obstruct, and influence the investigation and proper administration of matters within the jurisdiction of departments and agencies of the United States, to wit, the NIH and related agencies, and in relation to and contemplation of such matters, to wit, in documents related to a multi-million dollar NIH research grant for ZHU to develop enhanced MRI technology, ZHU provided false statements regarding his affiliation with a Chinese government-sponsored research institution, a Chinese medical imaging company, and his application for and ownership of a patent that related to the research being funded by NIH, and failed to disclose information regarding such to NIH and others.

(Title 18, United States Code, Sections 1519 and 2.)

FORFEITURE ALLEGATION

16. Upon conviction of the offenses alleged in Counts Two, Three, Six, and Seven of this Indictment, YUDONG ZHU and YE LI, a/k/a "Eric Li," the defendants, shall forfeit to the United States, pursuant to Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461, all property, real and personal, which constitutes or is derived from proceeds traceable to the commission of the offenses alleged in Counts Two, Three, Six, and Seven of this Indictment, including but not limited to a sum of money representing the amount of proceeds obtained as a result of the said offenses, and all property traceable thereto.

Substitute Asset Provision

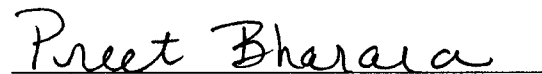
17. If any of the property described above as being subject to forfeiture, as a result of any act or omission of YUDONG ZHU and YE LI, a/k/a "Eric Li," the defendants,

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third party;
- c. has been placed beyond the jurisdiction of the court;
- d. has been substantially diminished in value; or

e. has been commingled with other property which cannot be divided without difficulty; it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), to seek forfeiture of any other property of said defendants up to the value of the forfeitable property described above.

(Title 18, United States Code, Section 981;
Title 21, United States Code, Section 853;
Title 28, United States Code, Section 2461.)


FOREPERSON


PREET BHARARA
United States Attorney

Form No. USA-33s-274 (Ed. 9-25-58)

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SOUTHERN DISTRICT OF NEW YORK

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YUDONG ZHU,
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Defendants.

INDICTMENT

13 Cr.

(18 U.S.C. §§ 1341, 1343, 1346, 1349,
1519, 1952(a)(3), 666(a)(1)(B),
371, and 2.)

Preet Bharara
United States Attorney.

A TRUE BILL

Karen P. Smith

Foreperson.

10/2/13 FILED INDICTMENT. WARRANT ISSUED
CASE ASSIGNED TO J. MANNING
COTI, USMJ